

APPENDIX B

RP-1999-0031

IMPACT OF THE BOARD'S FINDINGS IN THIS DECISION

NATURAL RESOURCE GAS LIMITED
UTILITY INCOME
For the Year Ending September 30, 2000
(\$)

	Per Company	Per Settlement	Per Board
Revenue			
Gas Sales	5,911,521	5,909,931 ⁽¹⁾	5,909,931
Cost of Gas & Transportation	3,593,315	3,592,749 ⁽²⁾	3,592,749
Gas Sales Margin	2,318,206	2,317,182	2,317,182
Other Revenue (Net)	494,285	494,285	494,285
Total Revenue	2,812,491	2,811,467	2,811,467
Expenses			
Operations & Maintenance	1,621,325	1,621,325 ⁽³⁾	1,621,325
Depreciation & Amortization	514,645	506,432 ⁽⁴⁾	506,432
Property & Capital Taxes	238,373	237,271 ⁽⁵⁾	237,271
Total Expenses	2,374,343	2,365,028	2,365,028
Utility Income Before			
Income Taxes	438,148	446,439	446,439
Income Taxes	(32,812)	(25,080) ⁽⁶⁾	(25,080)
Utility Income	470,960	471,519	471,519

Notes:

- (1) Reduction of 21 residential and 1 commercial customer attachments due to reduction in main addition projects. Associated volume is 3,654 m3 based on average consumption in July to September in the test year.
- (2) Due to decrease in sales and (unaccounted for gas) priced at Ontario Delivered rate and reduction in Union transportation costs.
- (3) 10,000 reduction in intervenor costs fully offset by 8,000 provision for OEB costs plus a 2,000 increase in repair and maintenance costs associated with reduction in capital expenditures (vehicles and equipment).]
- (4) This reduction in depreciation and amortization is comprised of: capital expenditure reductions of 1,128 (buildings); 5,000 (software); 434 (machinery and equipment); 1,024 (automotive); 275 (meters); 143 (regulators); 1,039 (main additions); and 183 (service additions). This is partly offset by a 1,013 reduction in capitalized depreciation.
- (5) 1,102 reduction comprised of reductions of: 1,083 in property taxes due to decreased main addition projects and 19 reduction in capital taxes due to decreased capital expenditures.
- (6) Per Appendix B, Page 2 of 5

NATURAL RESOURCE GAS LIMITED
CALCULATION OF INCOME TAXES
For the Year Ending September 30, 2000
(\$)

	<u>Per Company</u>	<u>Per Settlement</u>	<u>Per Board</u>
Utility Income Before Income Taxes	438,148	446,439	446,439
Plus: Depreciation Expense	514,645	506,432	506,432
Meals & Entertainment (Non-deductible portion)	7,000	7,000	7,000
Less: Capital Cost Allowance	545,961	532,213 ⁽¹⁾	532,213
Interest Expense	<u>487,368</u>	<u>483,867</u> ⁽²⁾	<u>483,867</u>
Taxable Income	<u>(73,536)</u>	<u>(56,209)</u>	<u>(56,209)</u>
Income Taxes (44.62%)	(32,812)	(25,080)	(25,080)

Notes:

- (1) Reduction of 13,478 comprised of reductions of: 1,223 in Class 1 assets (mains, meters, regulators, services); 625 in Class 3 assets (buildings); 1,900 in Class 8 assets (machinery and equipment); 7,500 in Class 10 assets (automotive); and 2,500 in Class 12 assets (software).
- (2) Reduction of 3,501 in short term interest cost due to decrease in rate base.

NATURAL RESOURCE GAS LIMITED
UTILITY RATE BASE
For the Year Ending September 30, 2000
(\$)

	<u>Per Company</u>	<u>Per Settlement</u>	<u>Per Board</u>
Gas Utility Plant			
Gross Plant at Cost	12,759,933	12,700,141 ⁽¹⁾	12,700,141
Less: Accumulated Depreciation	<u>3,952,746</u>	<u>3,975,248</u> ⁽²⁾	<u>3,975,248</u>
Net Utility Plant	<u>8,807,187</u>	<u>8,724,893</u>	<u>8,724,893</u>
Allowance for Working Capital			
Inventory	134,167	134,167	134,167
Working Cash Allowance	40,886	38,529 ⁽³⁾	38,529
Security Deposits	<u>(72,440)</u>	<u>(72,440)</u>	<u>(72,440)</u>
Total Working Capital	<u>102,613</u>	<u>100,256</u>	<u>100,256</u>
Utility Rate Base	<u><u>8,909,800</u></u>	<u><u>8,825,149</u></u>	<u><u>8,825,149</u></u>

Notes:

- (1) Decrease of 59,792 comprised of reductions in capital expenditures for: main additions (25,008); associated meters (4,378); associated regulators (1,823); associated services (2,547); buildings (13,542); and software (2,708). There were also decreases of 2,418 and 7,458 due to not replacing one piece of capital equipment and one vehicle (respectively) in the test year

- (2) Overall decrease of accumulated depreciation comprised of reductions associated with: main additions (563); associated meters (150); associated regulators (77); associated services (99); buildings (611); and software (2,708). There are increases of 7,639 and 19,071 due to not replacing one piece of capital equipment and one vehicle (respectively) in the test year.

- (3) The working cash allowance decreased by 2,357 due to decreases of: 595 for labour costs related to capital project reductions; 238 in labour-related costs; 10 in other costs (regulatory, property, and capital tax); and 1,514 in GST related to capital expenditure reduction.

NATURAL RESOURCE GAS LIMITED
CAPITALIZATION AND COST OF CAPITAL
For the Year Ending September 30, 2000
(\$)

PER COMPANY

	Capital Structure	Ratios	Cost Rate	Return Component	Return
Long-Term Debt	4,218,651	47.35%	11.09%	5.25%	467,828
Short-Term Debt					
Operating Loan	210,000	2.36%	8.27%	0.20%	17,367
Unfunded Debt	26,249	0.29%	8.27%	0.02%	2,171
Common Equity	<u>4,454,900</u>	<u>50.00%</u>	9.50%	<u>4.75%</u>	<u>423,216</u>
Total	<u>8,909,800</u>	<u>100.00%</u>		<u>10.22%</u>	<u>910,582</u>

PER SETTLEMENT

	Capital Structure	Ratios	Cost Rate	Return Component	Return
Long-Term Debt	4,218,651	47.80%	11.09%	5.30%	467,848
Short-Term Debt					
Operating Loan	210,000	2.38%	8.27%	0.20%	17,367
Unfunded Debt	(16,077)	-0.18%	8.27%	-0.01%	(1,330)
Common Equity	<u>4,412,575</u>	<u>50.00%</u>	9.50%	<u>4.75%</u>	<u>419,195</u>
Total	<u>8,825,149</u>	<u>100.00%</u>		<u>10.23%</u>	<u>903,080</u>

PER BOARD

	Capital Structure	Ratios	Cost Rate	Return Component	Return
Long-Term Debt	4,218,651	47.80%	11.09%	5.30%	467,848
Short-Term Debt					
Operating Loan	210,000	2.38%	8.27%	0.20%	17,367
Unfunded Debt	(16,077)	-0.18%	8.27%	-0.01%	(1,330)
Common Equity	<u>4,412,575</u>	<u>50.00%</u>	9.50%	<u>4.75%</u>	<u>419,195</u>
Total	<u>8,825,149</u>	<u>100.00%</u>		<u>10.23%</u>	<u>903,080</u>

NATURAL RESOURCE GAS LIMITED
DETERMINATION OF REVENUE DEFICIENCY
For the Year Ending September 30, 2000
(\$)

	<u>Per Company</u>	<u>Per Settlement</u>	<u>Per Board</u>
Net Utility Income	470,960	471,519	471,519
Utility Rate Base	8,909,800	8,825,149	8,825,149
Indicated Rate of Return	5.29%	5.34%	5.34%
Required Rate of Return	10.22%	10.23%	10.23%
Deficiency in Rate of Return	-4.93%	-4.89%	-4.89%
Revenue Deficiency	(439,253)	(431,550)	(431,550)
Provision for Income Tax	(296,126)	(289,920)	(289,920)
Gross Revenue Deficiency	(735,379)	(721,470)	(721,470)
Delivery-Related Gross Revenue Deficiency	(77,225)	(63,743)	(63,743)